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CURRENT INTELLIGENCE WEEKLY SUMMARY



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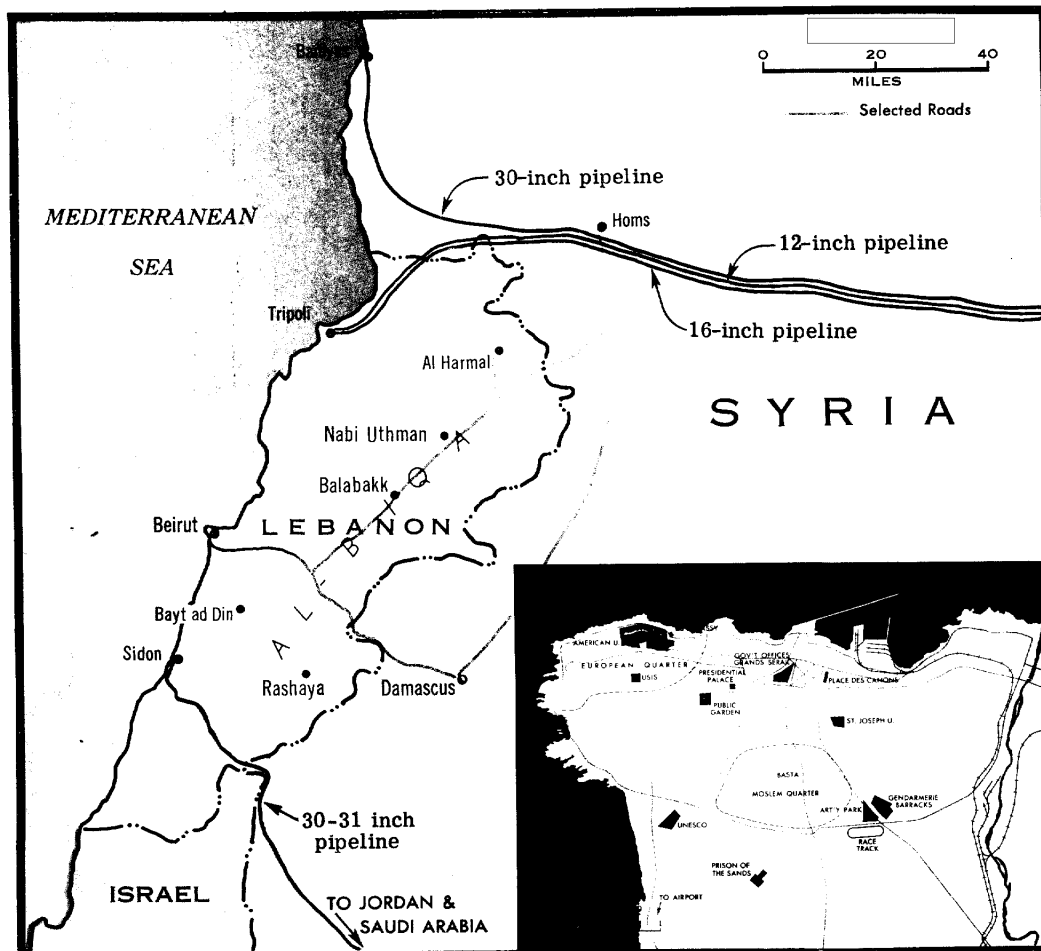
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PART I**OF IMMEDIATE INTEREST****LEBANON**

President Chamoun's position remains critical. Despite the lull in the fighting in Beirut following the flurry of rebel activity there at the end of last week, security authorities expect further opposition efforts to "break out" of the Moslem quarter and attack the presidential palace or the airport. A new military commander has been appointed in the

Beirut district, but he appears to share army commander Shihab's reluctance to attack the rebel forces unless they attack first.

While the army has made some progress in clearing roads to the presidential summer palace at Bayt ad Din, south-east of Beirut, this is probably the result of an accommodation between the army and the rebel



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Druze forces operating in that area. Elsewhere the kind of sporadic fighting that has come to be regarded as "normal" continues.

There have been reports that the militant Christian Phalange movement has assumed more leadership of military defense preparations in the Christian quarters of Beirut during the past week. This development lends more of a religious coloration to the fighting than has been evident so far.

The government apparently intends to exhaust the resources of the United Nations before asking for aid from individual Western countries. The Lebanese have let it be known, although they have not formally requested, that they would prefer a UNEF-type police force to the observation group which the UN Security Council has provided. Secretary General Hammarskjold has indicated he could not increase the observers beyond about 350 personnel without further authority from the council. Hammarskjold himself arrived in Beirut

on 19 June to clarify the functioning and objectives of the UN observer group. One major problem is whether, despite some welcoming statements, the rebels will in fact permit UN officers to function in areas under their control, especially those near the UAR border.

The Cairo and Damascus press have inveighed strongly against either Western intervention or the creation of a UNEF in Lebanon. One Cairo newspaper, edited by a confidant of Nasir's, has asserted that a landing by Western troops would be regarded by the UAR as an act of war. However, no official statements have been forthcoming, and the extreme statements of the press may conceal some desire on Nasir's part to disengage the UAR from a costly and not necessarily successful operation. Nasir's unhappiness over the Lebanese situation does not seem likely, however, to lead him to abandon the rebel cause without further effort to achieve at least a psychological victory over the pro-Western elements.

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EXECUTION OF IMRE NAGY

Announcement on 16 June of the executions of former Hungarian Premier Imre Nagy and three of his associates attests to Moscow's overriding concern

with the danger of "revisionism" and the lack of bloc unity on policy toward Yugoslavia, even at the cost of highly unfavorable reactions from the free

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world. The provocative tone of the announcement has signaled harsher internal policies, including suppression of remaining traces of "revisionist" activity and any factionalism within the satellite parties. The actual date of the trial and execution of Nagy was not disclosed.

Nagy is accused of actively cooperating with the "imperialists" to bring about an "armed counterrevolutionary uprising aimed at the overthrow of the legal order." Specific acts of conspiracy which allegedly occurred long before the revolution are detailed, although they are tailored to avoid implicating Hungarian party leader Janos Kadar, who cooperated closely with Nagy until the final days of the uprising. The career of Nagy is described as proof that "revisionism and bourgeois nationalism" lead inevitably to treason--a clear warning to Gomulka and any potential Gomulkas that such internal tendencies can have only one outcome. Nagy is charged, among other offenses, with "annihilating" the Warsaw Pact, restoring the multi-party system, and illegally rehabilitating Cardinal Mindszenty.

The American Legation reports the Hungarian people received the news of the executions with, "stunned silence," anger, and, in some cases, tears. They will certainly draw a parallel between Nagy's death sen-

tence and Rakosi's execution of Laszlo Rajk during the 1949 Cominform campaign against Tito and the reign of terror which ensued. These death sentences will probably be followed by announcement of heavy sentences on other leading members of the Nagy group and members of the revolutionary Central Workers Council of Budapest whose fates have not yet been revealed.



NAGY

Although Tito is not specifically attacked, many of the charges are slanted to implicate him in Nagy's "treason," as Khrushchev did in Sofia, by accusations that the Yugoslav Embassy in Budapest--where Nagy and many of his group took refuge--supported them before, during, and after the uprising. Belgrade has branded these charges as lies and has reiterated its claim that Kadar violated his written pledge not to punish Nagy.

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The charges against Nagy give added emphasis to the Kremlin's recent moves to isolate Yugoslavia from the bloc and counter any remaining hopes Belgrade may have had of directly influencing East European developments. The announcement may also be intended to prod Belgrade into taking the first step toward a complete diplomatic rupture by withdrawing its ambassador from Budapest, for Moscow would prefer that the onus for such a step fall on Belgrade, which will interpret the executions as deliberately provocative.

While Kadar's position will not be immediately threatened, his usefulness to the Kremlin will be greatly diminished. On his record as a genuine Hungarian Communist of working-class background and past pretensions to moderation, he could have some hope of securing a modicum of popular toleration. His acquiescence in Nagy's death not only creates a chasm with

Hungarian intellectuals but will encourage his Stalinist opponents in the party to press for much faster "Communization." The Soviet leaders have gone out of their way to endorse Kadar personally, probably intending to keep him for the time being as the best available leader.

The haste with which several Soviet ambassadors associated with the central committee have returned to Moscow, and the failure of top Soviet leaders to appear in public since 12 June, make it probable that the committee is meeting on matters of more than routine importance. The Soviet leaders are facing a number of pressing problems in the fields of satellite affairs, Soviet policy toward the West, and internal economic matters. Khrushchev appears to be in a strong position, but there are continuing signs of crosscurrents within the hierarchy.

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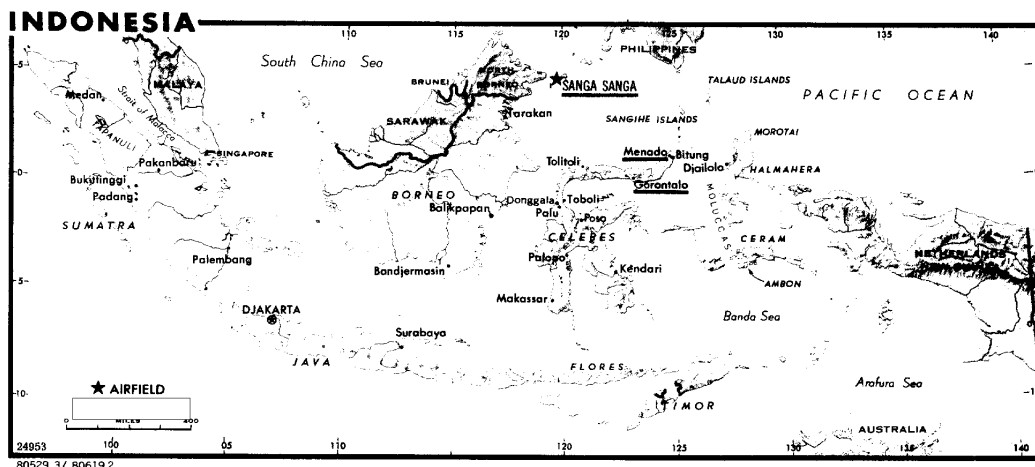
INDONESIA

The large-scale government invasion of the North Celebes dissident area began on 16 June. Apparently the principal beachhead was at Kema on the east coast across the peninsula from the dissident capital of Manado. Both the Manado air base and

the principal port in the area, Bitung, are now in government hands and are being used as bases for government operations.

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to the discretion of commanders in Java whether the ban should apply to that island. The ban in non-Javanese areas will restrict the Communists' efforts to increase their strength before the 1959 general elections, but apparently the Communists will be free to continue their activities in Java, where they are already the strongest party.

Any cabinet change appears definitely unlikely before the conclusion of the North Celebes military campaign. In the meantime, both the National party and the Nahdlatul Ulama are working toward strengthening their representation when and if the cabinet is reshuffled. President Sukarno stated in Surabaya on 14 June that the present "course" of the cabinet will not be changed and, regarding a reshuffle, told his audience to "wait and see."

Nasution has recently banned political activity in "restless regions," but has left

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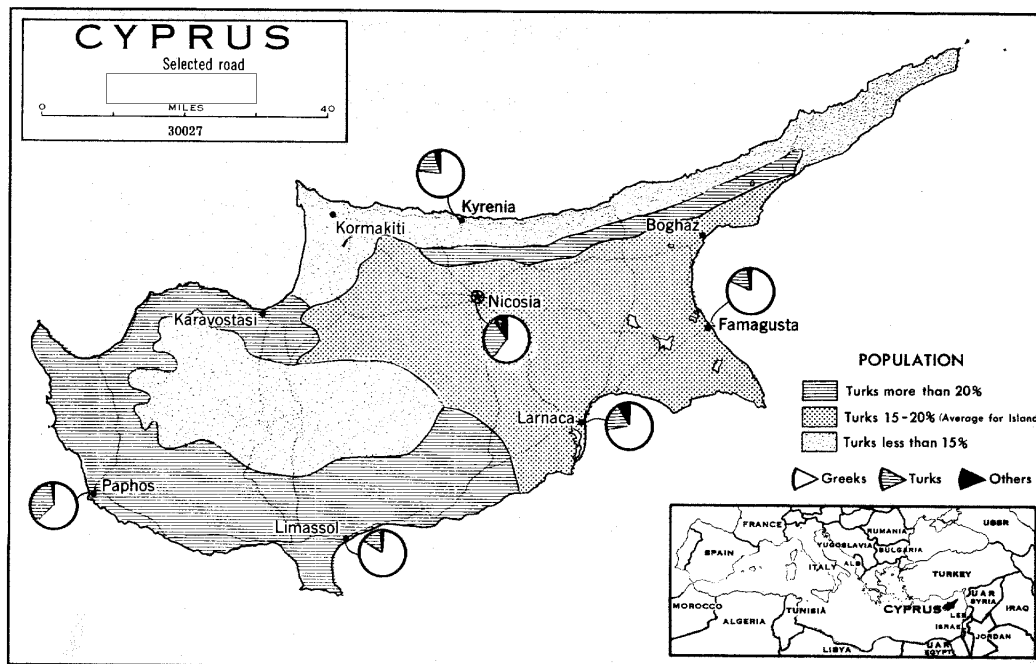
CYPRUS

Cyprus remained tense as formal announcement was made in London on 19 June of the new British proposals for governing the island. This announcement was postponed on 17 June at the request of NATO Secretary General Spaak. Spaak's action was taken in order to permit further examination of the plan by Athens and Ankara to determine if tripartite negotiations on the basis of the proposals were possible. Turkey had previously rejected the plan, which calls for seven years of limited self-government during which sovereignty would remain exclusively British, although Greece and Turkey would assist Britain in governing the island. Athens has not rejected the proposals outright but has hinted that their acceptance would be conditioned on drastic revisions. London had indicated determina-

tion to proceed eventually with implementation of the plan regardless of opposition.

The British are maintaining relative peace on Cyprus by strict curfews and the use of barricades between Greek and Turkish quarters. Meanwhile, Greek and Turkish Cypriots continue to move from towns where they are in a minority into towns where they predominate. These relatively minor movements, however, are of little significance for any plans involving possible formal partition, as Greek and Turkish communities are closely intermingled throughout the island.

EOKA, quiet during recent communal clashes, warns that its forces are ready and that further provocations will send them into action. Should the

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new British proposals finally be rejected by all parties and casualties be inflicted on British forces on Cyprus during outbreaks of violence, there will be an increasing public demand in Britain for withdrawal from the island--or at least a falling back to base enclaves.

Greek government and public reaction to recent events has been intense, with Turkey being denounced for initiating the recent riots on Cyprus, Britain for condoning Turkish-Cypriot attacks, and the United States for failing to support the Greek demand for Cypriot self-determination. At one point, Premier Karamanlis threatened to resign, citing failure of his pro-Western policies. He was persuaded by the King to carry on, at least temporarily. Bitter feeling toward Turkey was partly responsible for the withdrawal of

Greek personnel from the NATO base at Izmir. Attacks on the Greek minority in Turkey would probably lead to a break in relations, retaliation against the Turkish minority in Greece, and possible withdrawal of Greece from NATO.

The Turkish public and press, encouraged by government-sponsored mass meetings, continue to demand "partition or death." Volunteers are being recruited to aid the Cypriot Turks, but reconnaissance of the southern Turkish coast reveals no unusual activity at this time. Ankara's campaign regarding Cyprus is partly an attempt to divert public attention from the deteriorating economic situation but also reflects the government's adamant stand in favor of partition.

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PART II

NOTES AND COMMENTS

FRANCE

De Gaulle's Program

In Algeria, De Gaulle apparently hopes to put the army in complete control of the administration. General Salan on 17 June was formally installed as delegate general, and army officers are being appointed to replace most of the prefects. De Gaulle reportedly believes the army is more moderate and tractable than the civilian elements of the All-Algeria Committee of Public Safety. Once the army's position in Algeria is assured, he intends to proceed with local elections for representatives with whom he hopes he can negotiate a definite Algerian settlement.

Public confidence in De Gaulle's leadership was indicated by the favorable response to the loan launched on 17 June and by the enthusiasm displayed for the festivities on the 18 June anniversary of De Gaulle's 1940 assumption of leadership. The new 3.5-percent bond issue, which is tax free and pegged to the price of gold, has already resulted in a moderate strengthening of the franc.

Counterdemonstrations to De Gaulle's anniversary celebration called for by the Communists and by right-wing extremists appear to have evoked little response, although a few minor clashes between these groups were reported, including one in Paris.

De Gaulle plans to send his four ministers of state on good-will tours to explain his intentions to the overseas territories and to France's allies. Guy Mollet, for example, plans

to visit the United States in July. Some speculation will probably be aroused if De Gaulle sends these four out of the country in the near future. They are the major political leaders in his cabinet, which is remarkable for the large number of civil servants and relatively obscure parliamentary figures it includes.

Meanwhile, the various political parties are giving increasing attention to their future, in anticipation of elections likely to be held this fall if constitutional revision is pushed through on schedule. Many political leaders also expect a new electoral law which would oblige the small parties to unite if they hope to be represented in Parliament. For this reason and because of internal party cleavages over support of De Gaulle, extensive political regrouping, especially in the center, is expected in the next few months.

North Africa

French relations with North Africa should improve, at least temporarily, with the partial withdrawal of French military forces from Tunisia and Morocco. Both North African governments will continue, however, to press for total evacuation. The French-Tunisian agreement signed on 17 June apparently provides for the staged evacuation of approximately 9,000 men--all troops outside the Bizerte base--over a four-month period.

Some 13,000 troops will remain at Bizerte pending the negotiation of a provisional status for that base, after the phased evacuation is completed.

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The 17 June agreement has relieved the tense situation which developed following the French bombing on 8 February of the Tunisian village of Sakiet Sidi Youssef, and apparently there will be no further UN Security Council consideration of the dispute. New difficulties may arise as the evacuation proceeds and during the Bizerte negotiations.

naval and air force units--comprising some 16,000 men--Morocco will insist that France recognize its sovereign right to demand their eventual evacuation.

New difficulties with France may also result from discussions between Moroccan, Algerian, and Tunisian political party leaders which began in Tunis on 17 June and which are being held concurrently with a Moroccan-Tunisian governmental-level conference. The Algerian National Liberation Front probably is pressing for increased Moroccan and Tunisian assistance --if not for recognition of an Algerian provisional government--while the two North African governments may again offer their good offices to France, first formally extended last November, in seeking an Algerian settlement involving independence.

France would regroup several thousand French troops from ten small posts in eastern and southern Morocco. The more important French military establishments, such as that at Oujda, are not affected, and Morocco will continue to press for the evacuation of all 30,000 French ground troops. When negotiations begin on the status of the French

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THE WESTERN EUROPEAN ATTITUDE TOWARD DE GAULLE

As Premier de Gaulle prepares for a series of meetings with Atlantic community statesmen, his first official moves have reduced the alarm felt in most Western European countries at his accession to power. France's European allies are still concerned over its future NATO role, but they generally seem eager to cooperate with De Gaulle, fearing the consequences in France if he fails in his present effort.

Prime Minister Macmillan, who will visit De Gaulle in Paris on 29 June, and Chancellor Adenauer, who will see him early in July, both hope to satisfy themselves regarding

De Gaulle's foreign policy views, especially as to France's role in NATO. Macmillan will make a particular effort to sound out De Gaulle's attitude on the European Free Trade Area plan. Adenauer, although also interested in this question, will be more keenly concerned with De Gaulle's position on Continental European integration. Although De Gaulle has stated that France will honor all its international commitments, Foreign Minister Couve de Murville has already explained in Bonn that France's implementation of the Common Market treaty will depend on its ability to set its economic house in order.

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Leading officials of the Common Market, EURATOM, and the Coal-Steel Community have indicated that short of an open collision with De Gaulle, which they do not expect, European integration should benefit from a stable and effective government in France. They fear, however, that French permanent officials, now that they have a nationalistic chief, may become more difficult to deal with.

Officials throughout the Bonn government, regarding maintenance of the hard-won French-German friendship as a keystone of policy, intend to be as understanding and cooperative as possible. London has a similar attitude.

There are indications that the Italian Government is seriously concerned over future relations with France in view of De Gaulle's reported lack of

regard for Italians. For this reason, the Italians are understood to be trying to strengthen their already close relations with West Germany and to build up the Italian role in NATO.

An official in Madrid believes Spain should find it no more difficult to get along with De Gaulle than with the French Socialists.

Throughout Western Europe, informed observers agree that if De Gaulle does not succeed in his present effort, power in France is likely to shift to an extreme, either left or right, with greatly intensified difficulties for the West as a whole. They tend to believe also that De Gaulle's success depends on his ability to solve the Algerian problem, and on this score they are not sanguine.

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FRENCH COMMUNISTS AND DE GAULLE

The French Communist party (PCF), which hopes eventually to head a popular-front government, has apparently decided to use only legal means to oppose De Gaulle until his program has become clear. Recent extreme rightist attacks on France's parliamentary system, such as those by Air General Chassin, Pierre Poujade, and Leon Delbecque, who originally supported De Gaulle's accession to power, have given the PCF a fresh opportunity to pose as champions of the republic and to try to woo Socialists and other moderate left and center elements.

The PCF has been handicapped in its anti-De Gaulle tactics by fear of alienating the non-Communist elements it hopes to attract into a popular

front and by reported apathy among its rank and file. Many party members share the general public sentiment of "giving De Gaulle a chance" to solve France's problems. Moscow's cautious attitude toward De Gaulle also has impeded the PCF leadership's efforts to rally enthusiasm for its opposition tactics.

The official PCF position was expressed in a politburo declaration of 4 June announcing a "new stage in combat for the republic." This was expanded in an interview PCF leader Jacques Duclos gave to the foreign Communist press on 6 June in which, for the first time, he charged De Gaulle personally with attempting to impose a fascist dictatorship. This was first printed on 7 June in the

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Italian Communist daily L'Unita, and was reprinted in Pravda on 10 June. The French party's central committee reiterated Duclos' line in a 11 June statement. Pravda's republication assured the PCF of Moscow's overt endorsement of the present stand of the French Communists.

Judging from a recent PCF central committee communiqué, the party's major effort in the next few months will be directed toward organizing so-called republic defense committees to get out a large vote against De Gaulle's constitutional re-

visions in the 5 October referendum.

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long as it can count only on its own resources, the PCF is unlikely to go beyond scattered acts of sabotage by hard-core militants. If the non-Communist left becomes alarmed over rightist activities, however, or if De Gaulle presents an economic retrenchment program which would arouse massive labor dissatisfaction, the Communist potential for violence would be strengthened considerably. [REDACTED] 25X1
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SOVIET DISARMAMENT AND SUMMIT TACTICS

In an aide-memoire of 13 June, the USSR agreed that technical talks on nuclear test suspension controls should start on 1 July in Geneva even though there is still disagreement on the procedures and objectives of the talks. Soviet publication of Khrushchev's 11 June letter and the 5 May summit agenda proposals, on the other hand, suggests that Moscow, anxious to expedite a summit meeting, is impatient with the ambassadorial talks in Moscow and is seeking to transfer them to the foreign ministerial level, the next stage demanded by the West.

Moscow noted in its aide-memoire that it "proceeds from the assumption" that conclusion

of the experts' work will result in "agreement on the suspension of nuclear weapons tests." The United States has firmly reserved its right to keep such a political decision independent of the outcome of technical talks. The USSR had consistently maintained that the parties should agree in principle to stop tests before holding technical talks. Now it claims that test suspension should ensue from the technical agreement as a matter of course.

Moscow is seeking to use the presence of Polish and Czech technical experts at the forthcoming Geneva talks to establish a precedent for insisting on parity of representation at a summit conference and is making

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this point in its propaganda on the technical talks. The aide-memoire sought to create the impression that there would be six separate national delegations at the talks rather than two panels of experts.

A Soviet delegate to the UN twice has indicated pessimism to American officials about the prospects for agreement on the technical questions of control and has warned Washington not to make "unrealistic" demands that Moscow cannot accept. He urged a minimum of control measures and expressed the opinion that the United States would demand more inspection posts and a greater degree of mobility for inspectors than the USSR could accept.

Soviet insistence on agreement by the experts within three or four weeks thus creates doubts that the USSR expects any agreement to result from the talks at all. It may break them off after a month, charging that the American proposals are "unrealistic," and again demand

that the summit conferees agree on test suspension before further technical talks.

This is the pattern the USSR already seems to be following with regard to the ambassadorial talks. Not only does Khrushchev's 11 June letter to President Eisenhower seek to shift the blame to the West for delaying progress toward a summit meeting, but it appears to be setting the stage for a Soviet demand that the talks--which they allege to be a delaying device--be superseded by a foreign ministers' meeting. For this purpose, Khrushchev's letter suggests, the USSR would probably be willing to consider any Western-proposed agenda item except Eastern Europe and German unification.

The USSR has been consistently firm in its opposition to discussing Eastern Europe and is likely to grow even more adamant if it has to impose stricter controls on the satellites in the wake of Imre Nagy's execution.

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ULBRICHT FACES HOSTILE PARTY AS CONGRESS APPROACHES

As the East German Communist party prepares for its fifth congress, to be held from 10 to 16 July, First Secretary Ulbricht faces substantial factional opposition, which appears to be growing. In what is probably the most difficult time in his turbulent career as a Communist intriguer and Soviet agent, the dictator must attempt to present to the world a solid facade of unity where none exists. He must make unmistakably clear to the East German masses who oppose his rule that there is no course for them but conformity, at the same time avoiding measures so harsh as to lead to revolt based on desperation.

The principal issue rallying party opposition to Ulbricht is the purge of former party secretary Schirdewan, who is popular in party circles and regarded by many as the German Gomulka. This issue has become the focal point of the opposition to Ulbricht that has been building up through the years throughout the party.

the continuing controversy over Schirdewan's purge has forced the Berlin party organization to postpone its conference to choose delegates to the top-level conclave. The opposition appears to be increasing and

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now apparently even involves Erich Apel, the man Ulbricht brought into the party after the Schirdewan purge as a special economic administrator in the politburo to tighten his control over the economy.

Ulbricht probably fears that the dispute will erupt at the congress and demonstrate to an embarrassing degree the extent to which party members oppose him. Other issues on which the party opposes Ulbricht stem from dissatisfaction with his economic program and antagonism toward his arrogance and dictatorial behavior.



SCHIRDEWAN

If Ulbricht's rule were to become ineffective and he were to lose control of his party, the Kremlin would have

to reconsider its present policy of supporting him. Ulbricht will probably attempt to strengthen his hand through changes in the central committee, which will



ULBRICHT

probably be announced at the congress. In any event, some effort may be made to create the appearance of collective rule in East Germany.

While continuing to maintain full control, Ulbricht might share the limelight with figures such as Deputy Premier Rau, a relatively popular Communist who was chosen to deliver the politburo report to the 36th plenum on 10 June. Such gestures, however, would only be window dressing and probably would not alter high-level party opposition to Ulbricht's policies.

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EAST GERMANY PRESSES FOR RECOGNITION

East Germany, in its negotiations with Bonn over the barge traffic tax and with the United States for the release of American military personnel

whose helicopter was forced down in its territory on 7 June, is pressing for recognition of its sovereignty. The East Germans believe that if they gain

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their willingness to release the American personnel to official State Department representatives following signing of a protocol between the two countries. The Ulbricht regime sees in this incident an opportunity to force the United States into action which could be construed as recognition of its control over the territory of the Soviet Occupation Zone.

The East Germans would regard direct negotiations with the United States as a precedent for actions that could imperil Allied communications lines between West Germany and Berlin. The first step might be an announcement by the Russians that they were turning over to the East Germans the function of checking the documentation of Allied travelers on the access routes. Harassment of Allied traffic might then follow, possibly leading to a demand that the Allies negotiate an agreement with East Germany covering Berlin

their point in these matters, they will have strengthened their position for further efforts to gain recognition by non-Communist countries. In support of East Germany, the USSR has refused to handle the question of the Americans through the normal military liaison channels.

The East Germans, attempting to capitalize on the helicopter incident, have indicated

travel or face the possibility of having access to Berlin cut off entirely.

Bonn is also under pressure to deal with the East Germans on a governmental level. In the talks on the tax imposed by East Germany on West German barges transiting East Germany to Berlin, Bonn has already made a major concession by allowing a high-ranking Transport Ministry official to negotiate with the East

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Germans, but the East German representatives are demanding discussions on a higher level.

Bonn is also under increasing pressure domestically, particularly from the opposition Social Democratic party (SPD), to soften its whole position on dealing with the East Germans. SPD leader Carlo Schmid

declared on the fifth anniversary of the 17 June uprising in East Germany, "If the United States is prepared to negotiate for the sake of nine stray airmen, we can certainly do the same for the sake of 17,000,000 persons.... Negotiations can be conducted with a de facto power."

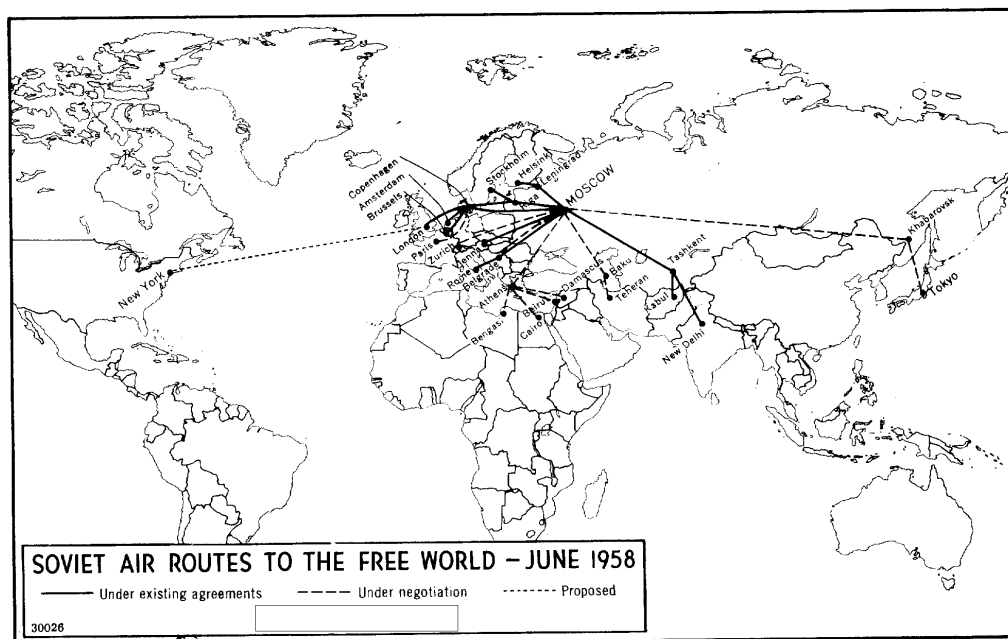
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EXPANSION OF SOVIET INTERNATIONAL AIR RELATIONS

Expansion of Soviet international commercial air ties as part of the Soviet economic offensive abroad is being accompanied by a comprehensive program to modernize Aeroflot--the Soviet airline. Since the flight of a Soviet commercial jet transport--the TU-104--to London in early 1956, four new-type turbine-powered aircraft have been unveiled, suggesting that

Soviet air carriers are being readied for a major international role.

Along with the modernization of aircraft, Moscow is trying to expand its international air network in Western Europe, the Middle East, and Asia. Since 1955 the USSR has concluded civil air agreements with 11 countries outside the bloc, most recently with the



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Netherlands, and an agreement is expected to be signed soon with France. Increased Soviet political and economic activity in the Middle East has included attempts to establish direct air connections with Tehran, Cairo, Damascus, and Beirut, all of which lie on major air routes between Europe and Asia, but the USSR has thus far been stymied by the refusal of Greece to permit Soviet aircraft to overfly its territory regularly.

The sale of Soviet aircraft to foreign airlines on attractive terms may also cut deeply into a field formerly the West's alone. To gain its commercial air objectives, the USSR relies exclusively on bilateral agreements and will continue to do so, at least until its air relations with peripheral coun-

tries in Western Europe, Asia, and the Far East are stabilized. It does not participate in such organizations as the International Civil Air Organization or the International Air Transport Association.

In the past Moscow had offered the TU-104 to nations with which it was negotiating civil air agreements. Recently, however, the Soviet Ministry of Foreign Trade listed the IL-18 "Moskva," which is not yet in service, as being available for export at a price of only \$1,900,000. The USSR lies astride the shortest great-circle route between Western Europe and the Far East and can offer transit rights on a direct London-Tokyo route in exchange for air rights concessions in such countries as Great Britain and Japan.

(Prepared by ORR)

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BULGARIA'S SEVENTH PARTY CONGRESS

The seventh congress of the Bulgarian Communist party from 2 to 7 June was marked by extraordinary praise from Soviet party First Secretary Khrushchev for the Bulgarian party and its leadership. The congress heard an announcement that "socialism" had been achieved in Bulgaria, but leaders denied that the country had begun the "transition from socialism to Communism" since "socialist democratization"--i.e., political and economic decentralization and further industrialization--was necessary before the new phase could be entered.

In the economic field, the party leadership announced its intention to decentralize the economy. Judging from statements by party chief Zhivkov and Premier Yugov, as well as earlier reports, the Bulgarian version will include some principles common to similar programs of the USSR and the northern satellites--reductions in force for the central bureaucracy, deployment of operational

control downward in the economic structure, introduction of increased incentives, and greater concentration on long-term planning within central government offices.

Another important economic policy enunciated at the congress was that the country would continue its rapid expansion of industry, particularly the mining, metallurgical, and chemical industries. According to the Third Five-Year Plan (1958-62), output of producer and consumer goods is to rise 77 and 50 percent respectively by 1962, whereas agricultural production by that time is to reach only the goal originally scheduled for 1957, which was considerably underfulfilled. No mention was made of Bulgaria's unemployed, who constitute as much as 12 percent of the nonagricultural labor force and pose an as yet insoluble problem for the regime.

Personnel changes made during and after the congress were a part of the process of

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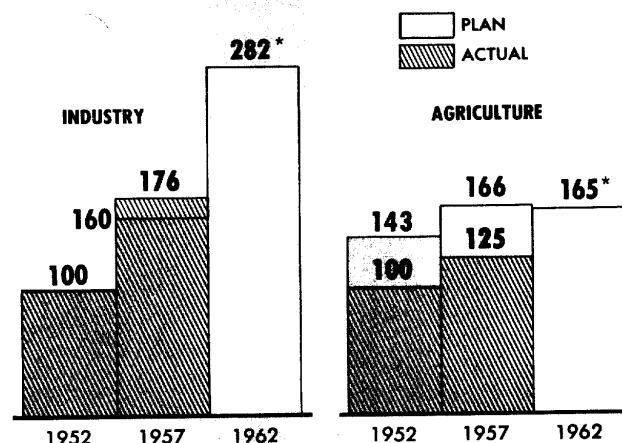
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decentralization, and do not indicate a shift of power within the compact Bulgarian leadership. The central committee was enlarged from 65 to 89 members and from 25 to 48 candidate members--almost all the former candidate members being promoted to full status. The promotions to the central committee were almost all of provincial party or second-level governmental officials, thus enabling the regime to advance capable, experienced men without having to purge old party hands. The politburo members, with the exception of candidate member and Minister of Defense Petur Panchevski, were all re-elected. The removal of one and the appointment of two new party secretaries continued the trend to admit the new generation into the highest leadership circles.

Panchevski was removed apparently because some limited

BULGARIA:
GROSS PRODUCTION AT END OF FIVE-YEAR PLANS
 ACTUAL 1952 PRODUCTION = 100



* APPROXIMATE FIGURES DERIVED FROM
 ANNOUNCED PERCENTAGE INCREASES

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factionalism arose in the army during his eight-year tenure in the defense post. Panchevski, however, was retained on the central committee. Politburo member Vulko Chervenkov was replaced as minister of education and culture by a party hack, apparently to permit him as deputy premier to concentrate on higher level government work. (Prepared jointly with ORR)

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PEIPING'S CLAIMS REGARDING NUCLEAR WEAPONS AND SPUTNIK

Chinese Communist spokesmen within the past six weeks have declared that China may consider obtaining nuclear weapons and will "in the near future" launch an earth satellite. The primary purpose of these statements was probably to discourage establishment of nuclear bases in peripheral areas in the Far East.

Foreign Minister Chen Yi stated on 10 May that if the

United States should station long-range atomic weapons in Asia, Communist China would have to consider the question of obtaining its own supply of atomic arms. This was the first public intimation that an understanding with the USSR may have been reached on the subject of nuclear weapons deliveries to Communist China. Peiping has no nuclear production capability of its own, but the USSR could introduce nuclear

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weapons into China, retaining control over their use.

Kuo Mo-jo, president of the Chinese Academy of Sciences, stated on 16 May that Peiping's scientists are studying Soviet science and technology so that "a Chinese sputnik" can be launched "in the near future." Communist China presently has no capability to orbit an earth satellite but, with Soviet assistance, could probably do so within a year or two.

If desired, possibly for the psychological effect, the Soviet Union could, with nominal Chinese participation, launch a satellite from Chinese territory within some six months. Soviet 700-mile-range ballistic missiles fitted with two additional rocket stages could be transported to China and fired from previously prepared sites to orbit a 500-pound satellite. Construction of a launching installation is not known to be under way in China, however.

(Concurred in
by OSI)

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PEIPING REFUSES TO SOFTEN STAND TOWARD TOKYO

Communist China's refusal last week to renew the Sino-Japanese fishery agreement which expired on 12 June is the latest action of a series designed to increase domestic pressure on Japanese Prime Minister Kishi to effect a rapprochement between Peiping and Tokyo. The Chinese are implying that the Kishi government must take the initiative to bring about a resumption of trade and other contacts.

Chinese refusal to renew the fishing agreement foreshadows further harassment and seizure of Japanese fishing vessels in the East China Sea. Prior to the conclusion of the agreement in April 1955, 158 fishing

vessels had been captured by the Chinese Communists. There were no further seizures thereafter until the capture of 14 Japanese trawlers on 6 May of this year--an action which was accompanied by Communist charges that the Japanese fishermen had violated the agreement. For the present, the Japanese plan to continue fishing in the areas covered by the agreement, still observing applicable restrictions.

The Chinese are concentrating their propaganda attack on Kishi personally, whom they accuse of wrecking Sino-Japanese economic cooperation by his refusal to recognize Peiping's "right" to fly its national flag

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over a projected trade mission in Tokyo. They recently denounced as a "shameless fabrication" Japanese reports that Peiping had hinted at a possible resumption of trade. The Chinese seem hopeful that the pinch of their economic embargo will heighten the pressure of Japanese business interests on Kishi to take the first steps toward eventual recognition of the Peiping regime. The American Embassy in Tokyo reports that the economic situation of medium and small Japanese firms that are dependent on trade with the China mainland is becoming desperate.

Kishi, under continuing pressure from local business

interests, will probably extend government approval to essential commercial agreements with Communist China in such matters as trade, fishing, and postal relations. The recent elections, however, endorse Kishi's firm stand against granting quasi-diplomatic rights tantamount to de facto recognition. The new minister of international trade and industry, a long-time advocate of closer ties with the Communist bloc, said on 16 June he would cooperate with the Socialist party and private Japanese organizations on measures to resume trade relations with the China mainland.

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NEW JAPANESE CABINET

The speed and decisiveness with which Prime Minister Kishi formed his new cabinet following the recent Japanese elections suggest an increased ability to control the competing factions in his ruling Liberal-Democratic party. Business interests have welcomed the new cabinet as likely to be one of the most stable in years. In announcing his policies, Kishi told the press he would seek to expand trade with the Communist bloc but would continue to cooperate with the free world.

The appointment as director of the Defense Agency of Gisen Sato, a Buddhist priest who had been slated for a minor cabinet post, raises the question of how seriously the government will view the issue of rearmament. Hayato Ikeda, who has been a strong rival to Kishi within the ruling party, refused the Defense Agency post, and was appointed minister without portfolio.

Kishi has placed his closest supporters in the key posts of foreign affairs, finance, justice, and agriculture and forestry. While he has

included influential factional leaders in the cabinet and in party posts, they will be in positions limiting their opportunities to hamper his policies, and he apparently hopes to ensure their cooperation by including them in an "inner cabinet." Kishi also consolidated his control over the Diet by assigning members of his party as chairmen of all standing committees. Five chairmanships formerly had been held by Socialists.

Foreign Minister Aichiro Fujiyama is the only former cabinet member to retain the same post. Kishi's brother, political leader Eisaku Sato, as the new finance minister probably will reverse the normally reactionary approach of his ministry to such government programs as Southeast Asian economic development.

The appointment of Tatsunosuke Takasaki, an advocate of closer ties with the Communist bloc, as minister of international trade and industry underlines the Japanese desire to solve the trade impasse with Communist China.

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CONSERVATIVES MERGE IN LAOS

Immediate prospects for preventing further political gains by the Communists in Laos have brightened as a result of the recent merger of the country's two major conservative parties--the Nationalists and Independents--into a single new party. The new grouping, known as the "Rally of the Lao People" and headed by Premier Souvanna Phouma, has sufficient votes in the National Assembly to form a new government excluding Communist elements. The new party, however, will have to speed government reforms and gain grass-roots support prior to the general elections in late 1959 or early 1960, in which the Communist Neo Lao Hak Zat party (NLHZ) threatens to take control of the government by democratic means.

The merger, reached on 13 June, came after weeks of intensive negotiations among conservative leaders which revealed the continuation of the personal rivalries that have heretofore seriously hampered anti-Communist efforts in Laos. With an opportunistic eye on the future, the smaller non-Communist groups represented in the assembly--the National Union and Democratic parties--have chosen to retain their individual identity, although they have indicated they would generally support the conservatives. The future role of the seven-man Santiphab group, which collaborated closely

with the NLHZ in the 4 May supplementary elections, is still unclear.

The conservative bloc hopes to form a new government by 25 June, replacing the temporary coalition cabinet, including two NLHZ members, that was formed at the time the Communist Pathet Lao was integrated last November. After validation by the assembly of the newly elected deputies and resignation of the present government, Souvanna Phouma is expected to be reinstated as premier in an all-rightist cabinet. The compelling factor behind the accelerated pace of the conservative leaders in these moves is the realization that firm steps toward monetary reform must be taken by the end of the month to avoid interruption of American economic aid to Laos.

The Laotian Communists have thus far not reacted to conservative plans to exclude them from office. They may feel that playing an active opposition role in the assembly as self-styled "champions of the people" will benefit them more in the long run than minimal participation in the next administration. In any event, with their clan-destine assets and a strong party organization extending down to the village level, the Communists are in a good position to frustrate constructive actions taken by a new government.

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CAMBODIAN - SOUTH VIETNAMESE RELATIONS

The chronic poor relations between South Vietnam and Cambodia have been newly strained by a recent border incident. Apparently the most serious in a long history of border disputes, this latest incident

involves a reported two-mile incursion and subsequent relocation of frontier markers by Cambodian troops in the Pleiku area of central Vietnam. This action reportedly was preceded by Cambodian mortar fire against

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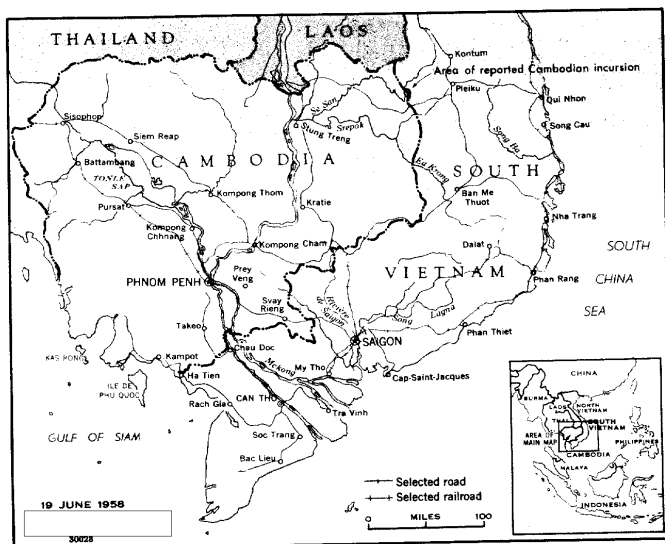
Vietnamese paramilitary elements in the area.

The basic cause of the animosity between South Vietnam and Cambodia lies in the traditional antipathy of the two races, aggravated by a sharp personality clash between their present leaders, President Ngo Dinh Diem and Crown Prince Sihanouk. The divergent paths taken by the two countries since independence in 1954 have added to the

provinces have been frustrated by the ease with which Communist and other dissident elements slip into Cambodian territory for sanctuary when hard pressed. Vietnam, which is convinced Cambodia deliberately abets these elements, on occasion has sent its forces across the border in "hot" pursuit, engendering strong Cambodian protests. The poorly defined and, in part, disputed boundaries are a complicating factor. This territorial dispute extends

to several small islands in the Gulf of Siam, where clashes between Vietnamese and Cambodian naval elements have been only narrowly averted in the past.

Intermittent efforts by the two countries to come to some agreement have at times appeared on the verge of success, only to founder in a new welter of recriminations. In its efforts to gain Cambodian cooperation, the Diem government has vacillated between a conciliatory and a hard approach.



friction. Militantly anti-Communist, South Vietnam feels its security is threatened by Cambodia's neutralist policy and close relations with the Sino-Soviet bloc. The recent Communist electoral gains in Laos, South Vietnam's other neighbor to the west, has increased Saigon's apprehension over encirclement. Cambodia, for its part, resents what it considers a calculated campaign of harassment by its more powerful neighbor to force abandonment of its neutrality.

Vietnam's efforts to combat terrorism in its western

Cambodia, meanwhile, has compiled a growing list of complaints against Saigon, including charges of maltreatment of the Cambodian minority in Vietnam and illegal interference with Cambodian shipping on the Mekong River. It threatens to take its grievances to the United Nations. The continued feuding between the two countries, both of which receive American economic and military aid, has detracted from their individual efforts to combat internal Communist subversion and is preventing a united front against Communism in the area.

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SINGAPORE'S INDEPENDENCE

The British Colonial Office and Singapore delegates on 27 May announced in London full agreement on the substance of a constitution for the state of Singapore, which will become independent in early 1959. A new legislative assembly, to be elected in February or March, will control all domestic matters, while Britain will retain control over defense and foreign relations. London also retains the authority to suspend the constitution if it feels adverse local conditions endanger British interests.

Pro-Communist labor unions, student associations, and political organizations are particularly strong in Singapore, and there is grave danger that left-wing groups will soon control the new state government--as they already control the Singapore city council.

Both British officials and moderate leaders of the Singapore Labor Front party fear that the Communist-influenced People's Action party (PAP) and Workers' party are likely to win the first postindependence elections, and they are taking steps to bolster the conservatives. They attempted to limit the PAP's criticism of the new constitution by permitting its leader, Lee Kwan Yew, to serve as the main Singapore spokesman at the constitutional conference, thus to bear partial responsibility for it. British officials assumed the onus of banning known subversives from

running for the legislature. The February or March date for the elections appears intended to give Singapore conservatives time to recover from the leftist victories in the December 1957 city council elections. A proposed compulsory voting act would bring ordinarily apathetic moderates to the polls, where it is hoped they will support the conservatives.

Singapore's greatest long-range problems are economic and tend to play into the hands of the leftists. As an entrepot, the port is threatened with decay as Indonesia, Malaya, and other areas increase direct shipping. In addition, Singapore is overcrowded with a growing Chinese population and has neither the industrial base nor the food resources to support itself. Conservative European firms already are cutting down their business activities in order to reduce losses in the event of a leftist takeover.

Independence is not expected to bring a closer relationship between Singapore and the Federation of Malaya, as the Malayan Government fears Singapore's Chinese population would upset the Malay-Chinese balance in the federation. A leftist victory in Singapore, moreover, would increase Kuala Lumpur's skepticism of Singapore's stability.

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THE ARGENTINE PRESIDENT'S PROBLEMS

Moderate elements in Argentina are concerned because President Frondizi's priority attention to political amnesty for the Peronistas has not been

matched by an equally impressive attack on the nation's economic crisis.

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[REDACTED]

Fronidizi inherited complex political and economic problems which are not easily separated. He felt it politically necessary to tackle first the problem of appeasing the Peronistas through an amnesty bill and the demands of economic nationalists by reaffirming that the government would retain control over petroleum resources. With this approach, he probably hopes to undercut anticipated criticism of later measures needed for economic rehabilitation. The way Peronista and nationalist propaganda has capitalized on these moves, however, has raised doubts, especially among conservative military elements, as to whether Fronidizi has the firmness to take the steps necessary for economic reform.

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[REDACTED]

[REDACTED] The majority of the military, although determined to prevent a

revival of Peronista influence, favor giving Fronidizi a chance to prove himself.

There are indications Fronidizi may soon announce new steps regarding foreign participation in petroleum development. This is considered a key factor in economic recovery, since Argentina's petroleum imports have constantly increased--costing \$270,000,000 in 1957--while its gold and foreign exchange reserves have dwindled, reaching \$236,300,000 as of 31 May 1958. The government accepted on 18 June a Soviet tender to supply some 7,266,000 barrels of crude oil worth \$15,860,000 FOB Black Sea ports, which presumably could be paid for by Argentine exports of agricultural products under the 1953 trade agreement.

The Argentine Foreign Ministry informed the American Embassy on 14 June it was requesting the International Monetary Fund to send a technical mission to Argentina in July to begin preliminary studies leading to the conclusion of a financial agreement. The ministry may regard this as a prelude to a request for American assistance.

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BOLIVIA'S STABILIZATION PROGRAM THREATENED

Bolivia's US-backed economic stabilization program, already encountering financial difficulties from the severe fall in world metal prices, faces a new political threat in the recent election of Senate President Alvarez Plata as head of the National Political Committee (CPN) of the governing Nationalist Revolutionary Movement (MNR) over the opposition

of President Siles. During the past six months, Alvarez has been increasingly identified with the forces of leftist labor leader Juan Lechin, principal critic of the program. Alvarez' election strongly suggests that former President Paz, who returned from abroad on 14 May, is aligning himself with and has given new strength to the Lechin faction of the MNR.

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The anti-Siles complexion of the CPN has additional importance, since Siles is reported to have said that the CPN will select the MNR's candidates for the congressional elections on 20 July. Most MNR candidates are assured of victory; the party polled 82 percent of the vote in the 1956 election.

Under the stabilization program--which began in December 1956 with \$25,000,000 in backing from the United States and the International Monetary Fund--foreign exchange losses were less than anticipated in 1957 but have mounted sharply in 1958. By early June net losses came to \$13,000,000, in comparison with \$3,000,000 on 30 December 1957.

Restrictions on tin production and the drastic drop in prices of other metal exports are causing large losses in dollar income and government revenue. During 1958, these losses may considerably exceed the value of US grant aid, which is furnishing one third of the government's income and one fifth of the supply of dollars which Bolivia requires to balance its foreign payments.

Tension is heightened by recurring strikes, as the workers lose confidence that wage controls will result in increased real wages. In addition, bitter resentment is reported in race-conscious Santa Cruz over the brutal tactics being used by the Indian militia in reprisals for the revolutionary outbreak there on 14 May.

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PART III

PATTERNS AND PERSPECTIVES

SOVIET POLICY TOWARD SOUTH AND SOUTHEAST ASIA

Soviet tactics in South and Southeast Asia seek to eliminate Western political and economic influence and to encourage area governments to participate in a loose grouping of unaligned and uncommitted states which might be made hostile to Western policies. The USSR has devoted increasingly large resources to a political, economic, cultural, and propaganda campaign based on the exploitation of past and present Asian friction with the West and on manipulation of widespread Asian desires for peace and rapid economic development.

The Khrushchev-Bulganin visit to the area in the fall of 1955 launched a major propaganda and policy campaign to show that the Soviet policy of "peaceful coexistence" is not inconsistent with Asian "neutrality." The visit led to the conclusion of a series of economic, technical, and cultural agreements and has been followed over the last two years by less extensive tours by Mikoyan, Zhukov, and Voroshilov. Moscow has assigned a high priority to this area, and relations have developed steadily, with only occasional setbacks.

Political Relations

Moscow has consistently supported Asian governments in disputes with Western powers, including Indonesia in its West Irian campaign, India on the question of Goa, and Ceylon on the surrender of British bases. The USSR has also taken sides on the Kashmir and Pushtoonistan disputes, backing "friendly" India and Afghanistan against pro-Western Pakistan. It has continued to press its role as "protector" of the area by warnings to the West against "intervention" in Indonesia and

by using its Security Council veto to support India in the Kashmir dispute. Such backing helps to offset the damage to Soviet prestige resulting from Moscow's intervention in Hungary and the present friction with Yugoslavia.

The USSR has also continued to exploit its key role as a cochairman for the implementation of the Geneva accords on Indochina with the idea of countering the extension of Western influence there. Moscow has resisted efforts to reduce the role of the International Control Commission (ICC) in Laos, apparently in the belief that such reduction might lead to the dissolution of the ICC's activities in the rest of Indochina, and an all-out build-up of South Vietnam by the West.

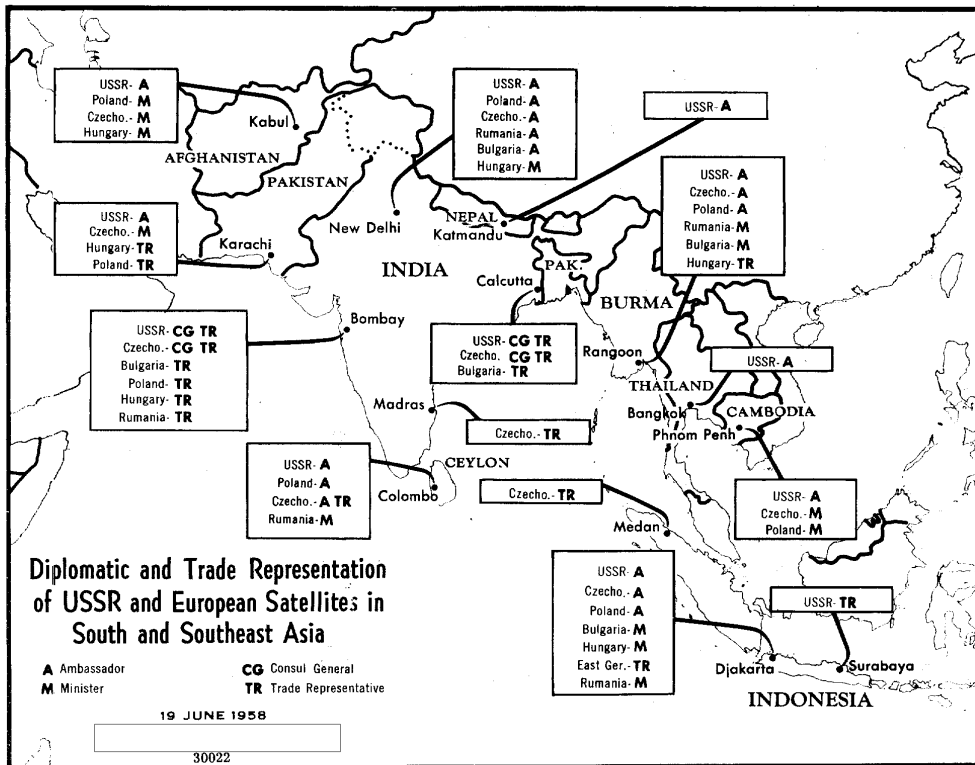
The USSR has played on Asian concern over being involved in a nuclear war between East and West and on desires to play a part in bringing about a world detente. In this connection, it has spotlighted Soviet disarmament "initiatives," including a proposed atom-free zone for Asia and has come out in favor of the participation of India and Afghanistan as "neutral" representatives at a summit conference. Moscow's warning on 17 April to Pakistan and stepped-up propaganda attacks suggest growing sensitivity to Western security measures taken under SEATO and the Baghdad Pact.

Moscow has attempted to exploit recent Soviet advances in nucleonics, military technology, and space exploration in an effort to convince both peoples and governments of South and Southeast Asia that the East-West balance of power has shifted in favor of the Sino-Soviet bloc. Much of the area has been flooded

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with brochures and newspaper supplements featuring sputniks and other Soviet scientific and industrial achievements.

Diplomatic efforts in the area have been stepped up, and even such pro-Western states as Thailand, Malaya, and Pakistan have been pressed for cultural and technical exchanges so as to break a "Western-imposed" isolation from Moscow and to open the way for the development of more substantial political and economic relations on both governmental and nongovernmental levels. Moscow has increased the number of its diplomatic and trade posts, although Laos and Malaya have rebuffed Soviet attempts to exchange missions. A similar increase in satellite representation has taken place.

With Nehru's visit in June 1955, the USSR initiated a series of spectacular "Moscow

welcomes" for Asian leaders, flattering Asian feelings of self-importance. Moscow continues to place heavy emphasis on the exchange of delegations and visitors at all levels and to court a greater Asian participation in world Communist-front movements. The result of the Soviet cultural offensive in South and Southeast Asia has added to Soviet prestige and developed a favorable climate of opinion for Soviet policies through the establishment of ties with many Asian groups and leaders.

Communist Parties

The Soviet policy of courting Asian neutralism is reinforced, although complicated by the fact that the strength and influence of the local Communist parties have been increased, especially in India and Indonesia. The Communist party of India (CPI) emerged from the

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last election as the principal opposition to India's ruling Congress party and took over the government of Kerala State. However, Moscow continues to give high priority to maintaining good relations with the Nehru government and has maintained a scrupulous "hands-off" policy regarding Kerala, although hailing it as a model of "peaceful coexistence."

The USSR has supported Indonesian President Sukarno and his program to establish a strong central government in Indonesia, and, together with the Communist party of Indonesia (PKI), firmly backs his campaign to gain control of West Irian from the Dutch.

In Laos, an Asian Communist party, for the first time in the post-Stalin era, has emerged from insurgency to become a legal political party and enter the government. The USSR hailed the agreement between the Communist-led Pathet Lao dissident movement and the royal government as the model formula for reuniting countries split by the cold war. Despite the continued existence of insurrections in Malaya and Burma, the Soviet 20th party congress' thesis of peaceful transition to socialism has been more successful in South and Southeast Asia than in any other part of the world. In addition to local Communist parties, aggressive trade unions are a major political factor in India, Ceylon, Indonesia, and Singapore.

Economic Relations

Moscow's economic offensive in South and Southeast Asia has achieved considerable success through a vigorous and flexible trade program and through the promise and extension of large-scale developmental credits. The USSR presses the line that poverty and inadequate industrial development are the results of a Western colonial pol-

icy to extract maximum profits while opposing the development of a national industry.

Moscow presents its aid in terms of encouraging "national" programs without "strings" and has offered to help South Asian countries to industrialize on the basis of "equal rights and mutual advantages" by making available equipment, machines, and technical services on long-term credits at low interest in return for goods normally exported by these countries. Moscow ridicules the idea that economic development is necessarily slow--pointing to itself and Communist China as examples --and encourages underdeveloped countries to adopt plans calling for rapid industrialization.

Soviet offers to assist Asian economic development are attractive to many governments, both for their intrinsic worth and their value in stimulating Western counteroffers. The largest single Soviet project undertaken in the free world is the construction of the steel-works at Bhilai, India, which at times has proved something of a headache for the USSR, but which has yielded favorable world-wide publicity. The USSR in the early stages of its economic assistance program agreed to undertake projects which, although of marginal economic feasibility, were of high local priority, such as construction of a bakery complex in Kabul, Afghanistan.

Most later activity has been in key fields such as transportation, oil exploration, and heavy machine building, or in fields of high propaganda impact such as hospitals, technical institutes, and cultural centers. Total credits extended by the Sino-Soviet bloc to South and Southeast Asian governments amount to approximately \$825,000,000, about half the total assistance given to nonbloc countries, excluding Yugoslavia.

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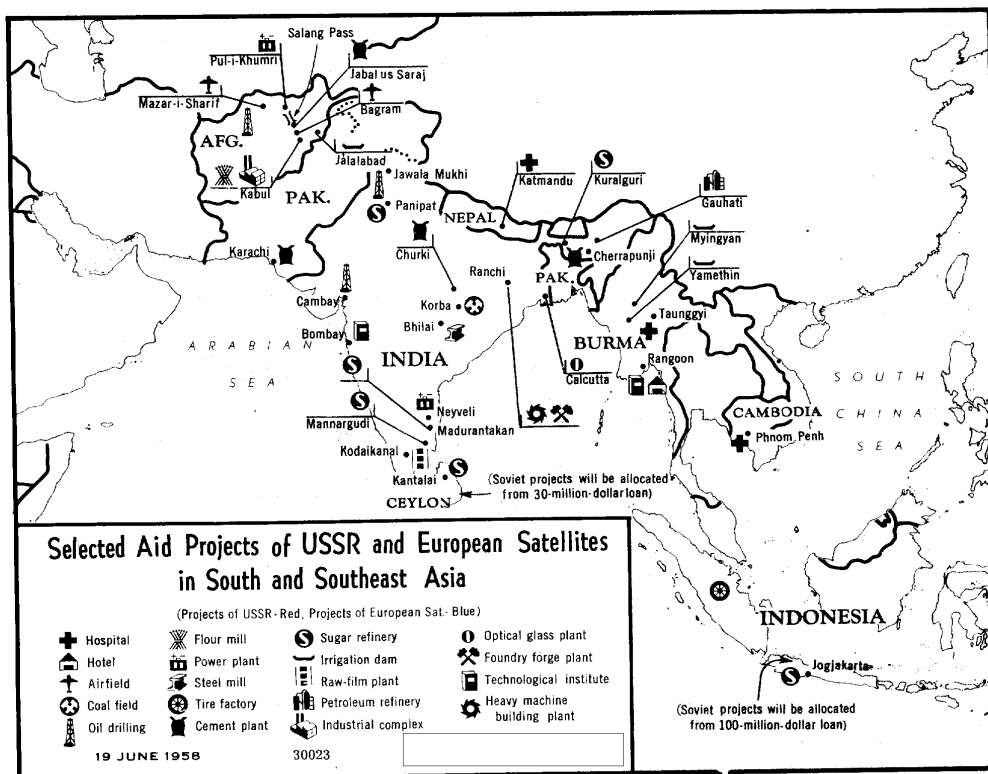
Moscow's economic offensive in South and Southeast Asia includes also a vigorous and flexible trade program. Sino-Soviet bloc trade with South and Southeast Asia in 1957 showed a modest increase over 1956, although it still is only a small part of the area's total trade. Through shrewd trade measures such as the bulk purchase of raw materials and domestic manufactures such as Indian shoes and local handicrafts, the Soviet Union has built up its reputation in the area as the friend of local industry, a reliable trading partner, and a ready outlet for commodities unsalable on world markets.

Moscow emphasizes that its accounts can be settled by exports of local goods or in local currencies, and builds on local fears of Western economic compe-

tition, "exploitation," and the effects of a possible Western depression. It has used its membership in ECAFE to publicize its economic accomplishments as an "Asian" state and to promote expanded political, economic, and cultural ties through official contacts.

Military Relations

The Soviet bloc has extended major military assistance to Afghanistan and has been making significant deliveries recently to Indonesia. The governments of these countries alleged they were unable to get arms from the West on acceptable terms and that the bloc was willing to step into the picture to meet the needs expressed. In both Indonesia and Afghanistan, the loan of military specialists is an important part of this aid. The Soviet bloc also has offered



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to supply India with modern arms and arsenals.

Soviet attempts to downgrade the West in Asian eyes and build up its own prestige have been noticeable in bloc attempts to sell military hardware and in Soviet efforts to break into the civil

air picture with regular service, using TU-104 jets. The inauguration of regular Moscow - New Delhi air service in the near future will probably serve as a prelude to Soviet efforts to extend Aeroflot flights to Burma and Indonesia.

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CEYLON'S ECONOMIC PROBLEMS

Widespread labor disorders, communal strife, growing unemployment, and a rising cost of living in Ceylon have lost Prime Minister Bandaranaike's government much of the popular support it enjoyed when it came into office two years ago. The government appears to recognize that its survival in the 1961 general elections may depend on early and successful implementation of an expanded economic development program. Proposals for Bandaranaike's third annual budget, however, to be presented soon after Parliament opens on 24 June, assign most of the contemplated increase in expenditures to the field of social services.

Government Aims

Bandaranaike's Sri Lanka Freedom party based its campaign for office early in 1956 on a platform calling for nationalization of tea, rubber, and coconut plantations and other important businesses, most of which are foreign owned; an economic development program providing for higher employment and rising living standards; replacement of English by Sinhalese as the official language; and the adoption of a neutralist foreign policy.

On taking office, however, the party was faced with declining prices for Ceylon's major export crops and with the realization that the costs involved in nationalization would be considerably greater than previously recognized. The government, therefore, in effect postponed most of its plans for nationalization and placed its major emphasis on other matters. It replaced English with

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CEYLON: TRADE WITH SINO-SOVIET BLOC AND TOTAL WORLD
(THOUSAND DOLLARS)

	EUROPEAN SATELLITES		USSR		COMMUNIST CHINA		TOTAL SINO-SOVIET BLOC		TOTAL WORLD	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
1952	883	2,445	263	501	6,896	25,950	8,042	28,896	357,513	315,476
1953	1,574	665	14	—	43,899	50,865	45,487	51,530	337,646	329,287
1954	658	349	402	—	33,252	46,529	34,312	46,878	293,424	379,952
1955	1,484	333	128	—	16,785	25,479	18,397	25,812	306,546	407,424
1956	1,418	275	184	—	28,102	38,270	29,704	38,545	342,252	364,259
1957	1,781	1,242	296	137	17,597	35,151	19,674	36,530	378,854	353,116

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(THOUSAND DOLLARS)

	EXPORTS					IMPORTS					
	TEA	CRUDE RUBBER	COCONUT PRODUCTS	OTHER	TOTAL	TOTAL FOODSTUFFS (RICE)	PETROLEUM PRODUCTS	TEXTILES AND RELATED PRODUCTS	MACHINERY AND TRANSPORT EQUIPMENT	OTHER	TOTAL
1953	173,269	70,892	51,781	33,345	329,287	162,714 (67,337)	25,151	33,919	37,041	78,821	337,645
1954	235,788	59,913	45,143	39,108	379,952	133,555 (57,393)	21,585	30,862	26,667	78,755	293,424
1955	250,788	73,573	47,929	35,134	407,424	126,861 (46,915)	27,716	28,356	32,825	90,788	306,546
1956	210,208	61,436	45,328	38,287	364,259	142,921 (55,375)	25,208	33,684	39,450	100,899	342,162
1957	214,463	33,063	33,390	42,180	353,116	149,569 (53,632)	43,113	34,396	42,492	109,283	378,853

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Singhalese as the official language, terminated Britain's military base rights in Ceylon, and expanded its relations with Communist countries as a part of its neutralist policy.

These measures, coupled with the government's assurances that it would fulfill its promises of nationalization when finances permitted and would expand economic development activities as soon as a plan could be formulated, apparently satisfied the people until late 1957.

Government Crises

Since late 1957, the government has been faced with a series of political and economic crises which have magnified its problems. Recurrent strikes for the past six months have tied up the port of Colombo, adversely affected many business activities, raised prices of food, and antagonized Ceylon's rural population. The severest floods in many years occurred in December and destroyed crops, roads, and houses in many parts of the island. Communal tensions increased sharply and on 23 May 1958 erupted into violence which necessitated a declaration of national emergency and forceful military action before being brought under control in early June. These events caused prices to rise steadily, and the Ceylonese people now find their real

incomes lower than when Bandaranaike came into office.

At the same time, factionalism between Marxist and moderate members of the cabinet came into the open, and Bandaranaike's ability to maintain discipline within his ruling coalition began to be questioned.

Future Plans

The government has therefore decided it must take forceful action if it is to serve out its present term and be re-elected in 1961. It has begun to take a firm stand against inflationary wage demands and has refused major concessions to unions during the last two large strikes. It has issued a policy statement outlining incentives for new private foreign investments, including a promise to refrain from nationalization of new enterprises for the next ten years.

It has requested approximately \$50,000,000 in special foreign economic aid, mainly from the United States and Canada, to add to the \$30,000,000 in foreign assistance it already expects to be available for economic development during the next year. Bandaranaike has also attempted to raise his prestige--apparently unsuccessfully--by calling for an international economic conference in Colombo.

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Planning Capabilities

The Ceylonese Government still has no over-all plan for coping with the island's economic problems. Previous governments undertook development projects without a comprehensive plan, but Bandaranaike did es-

CEYLON: GROSS NATIONAL PRODUCT
(1952 PRICES)

	G N P	POPULATION	PER CAPITA G N P
1953	\$ 928,000,000	8,155,000	\$114
1954	986,000,000	8,385,000	118
1955	1,108,000,000	8,589,000	129
1956	1,049,000,000	8,929,000	117
1957	1,035,000,000	9,135,000 (estimate)	113

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establish a National Planning Council in September 1956. This council has sought the advice of foreign economists and has appointed committees to examine various aspects of Ceylon's economic needs. Progress has been slow, however, both because of the lack of Ceylonese experience and the absence of forceful direction by the prime minister.

The government's inability to comprehend the problems involved in economic planning is evident from its late February directive to the National Planning Council to prepare within three months a one-year and a five-year plan for presentation to Parliament. While the council might produce some general guidelines within the next few months, it is unlikely to be able to produce a detailed plan for sometime to come and then only if it receives full governmental support.

Planning Problems

The problems with which such planning will have to cope will include maintenance of the standard of living. This is threatened by the rapid growth in population which has resulted from the virtual elimination of malaria and the sharp reduction in infant mortality since 1946. Ceylon's population has risen from 6,700,000 in 1946 to over 9,000,000 at present and is increasing by nearly 3 percent annually.

The output of present crops can be increased and new crops can be added over the years, but agriculture will not be able to provide the jobs the growing labor force will require. This force will have increased by 50 percent by 1970. Thus, Ceylon must expand other sectors of the economy--chiefly industry--to absorb these workers.

While Ceylon lacks the resources to undertake a program of large-scale industrialization, many items of consumer

CEYLON: GOVERNMENT EXPENDITURES

(MILLION DOLLARS)

1 OCTOBER - 30 SEPTEMBER

	CAPITAL EXPEND.	FOOD SUBSIDIES	SOCIAL SERVICES	CURRENT ECONOMIC ACTIVITIES	ADMIN.	OTHER	TOTAL
1950-51	54.5	27.6	36.1	36.5	22.5	26.2	203.4
1951-52	79.8	52.0	43.6	39.1	20.4	25.9	260.8
1952-53	75.2	26.7	44.7	42.6	24.1	38.6	251.9
1953-54	61.5	2.6	47.2	40.7	24.3	38.2	214.5
1954-55	75.0	-	49.1	47.4	29.7	23.1	224.3
1955-56	90.5	16.7	53.9	47.0	31.3	38.4	277.8
1956-57	104.9	21.0	56.7	50.5	33.8	34.9	301.8
1957-58 PROVISIONAL	96.2	28.1	59.6	55.5	37.4	38.5	315.3

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goods and light industrial products which are now imported could be produced locally. Development of industries for such production would, however, require a concerted effort on the

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part of the government to expand its own development activities as well as to encourage both local and foreign private investors.

The New Budget

Government leaders appear confused about what is needed to stimulate Ceylon's economic development. The preliminary figures on the third annual budget recently given to the American Embassy in Colombo suggest that the government plans to use the additional \$50,000,000 in foreign aid it has requested to expand social services rather than for income-generating economic development projects. Projects involving new schools and hospitals will provide additional construction jobs. These, how-

ever, are not developments which will directly increase Ceylon's production.

The new budget provides for a decrease in funds for industrial projects, several of which are nearing completion, and no new industrial projects are scheduled. Thus, Soviet and free world economic aid offered chiefly for industrial projects is likely to be utilized slowly unless some exceptional effort is made.

While a sizable increase in social services probably would build up the government's popularity in the short run, it would not provide the economic growth and expanding employment opportunities Bandaranaike needs for long-range political success.

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THE SPANISH COMMUNIST PARTY

Spain's small Communist party, long outlawed by the government and ostracized by the rest of the opposition to Franco, has during the past year substantially improved its capabilities for attracting public support. This improvement results largely from its aggressive championing of labor's interests under seriously worsening economic conditions--a political tactic assisted by the government's policy of publicly blaming strikes and slowdowns on the Communists. The party also seems to have made marked gains among Madrid University students by championing freedom of thought.

The Spanish Communist party (PCE) labors under several serious handicaps. It is numerically insignificant, with a hard-core membership estimated at 3,000. Its leadership, in-

cluding Secretary General Dolores Ibarruri, is still largely in exile behind the iron curtain or in southern France. The civil war has also left the party a legacy of unusually strong distrust on the part of Spain's other anti-Franco parties. Persistent Communist efforts to organize joint action have been just as consistently rebuffed, the most noteworthy and recent failure being the extensively promoted "Day of National Reconciliation" on 5 May. None of the other parties supported this effort, which resulted only in brief scattered boycotts and strikes in a few northern areas; but by 3 June the Communists were again appealing to the other parties for talks on joint action.

The party's chief present assets include a skillfully employed clandestine radio and,

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apparently, unusual determination and courage on the part of its labor and student organizers. Probably the most important of these assets, however, is the continuing deterioration in the country's economic situation



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ation and some of the methods chosen by the regime to cope with the resultant labor discontent.

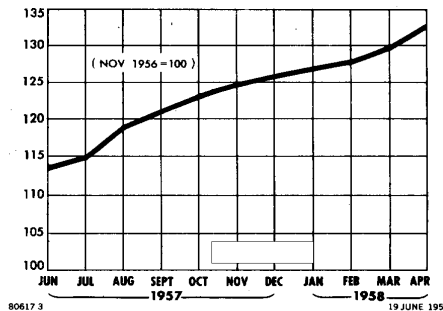
Inflation and Labor Demands

The sizable increase in Spain's balance-of-payments deficit, the steady decline in its gold and foreign exchange reserves, and the sharp rise in prices since the beginning of 1957 have caused inflationary pressures of serious proportions. Inflation has generally been harder on the skilled workers, located largely in northern Spain, than on the unskilled, who received a larger percentage increase in the last general wage boost of November 1956. The nationwide rise in prices has already consumed practically all of labor's gains from pay raises and caused widespread complaints from the workers that they cannot make ends meet.

The government, unable to hold the line against rising prices, has indicated there will be no more across-the-board wage boosts, which would almost certainly set off a wage-price spiral. Any future pay increases, it has announced, must be made by the various industries through collective bargaining between employers and employees as provided in legislation of last April.

Communist Labor Tactics

The Communists have made special efforts to put themselves forward as the champions of worker interests, particularly in northern Spain. They have tried with some success to get their members or sympathizers elected as labor representatives, and they have also, as occasion offered, precipitated strike actions on behalf of worker grievances.

SPAIN: COST-OF-LIVING INDEX

the Communist party was the only opposition group to elect a sizable number of shop stewards in the Basque provinces in the October 1957 elections. This was a considerable victory, since

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the PCE has been particularly weak in this area. In two provinces, the Communists apparently succeeded in obtaining an over-all representation of some 30 percent of the candidates.

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The party also met with some success in other sectors. Investigation by security authorities reportedly revealed that 12 of the 22 Communists arrested early in 1958 in the Saragossa area had been elected shop stewards in October. In the industries of Catalonia, the Communists are said to control 8 percent of the shop stewards and have greater influence among the workers now than the anarchist labor organization CNT.

An example of Communist strike tactics is seen in the slowdown and walkout of some

2,800 Bilbao shipyard workers late last summer.

the Socialists and the Basque nationalist trade union were planning a widespread strike throughout northern Spain for October. In an effort to gain credit for it, the PCE jumped the gun and brought off the Bilbao strike, thereby causing the Socialists to abandon their efforts. The Communists were supported in the strike by Catholic Action's labor organization, the HOAC.

A similar example occurred in late March of this year when the Barcelona workers were called on, by leaflets and appeals from a clandestine radio station, to stage a 24-hour general strike in support of the coal strike in Asturias. No general strike occurred, but slowdowns and strikes in Barcelona factories affected up to 30,000 workers. These



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_____ were originally planned by the non-Communist parties in exile but were precipitated by the PCE through its Catalonia branch.

Government Tactics

The PCE labor effort has received unintended assistance from the government's policy of publicly blaming the Communists for the slowdowns and walkouts in northern Spain during the past year. In the coal mine walkouts, which eventually involved over 10,000 workers in Asturias in late March, the local office of Catholic Action's labor organization has questioned whether the Communists were the actual instigators. A government communiqué of 31 March, however, charged that PCE strategy in these strikes was directed from abroad and carried out by means of unconnected cells of five men or less in each mine.

Government action has thus served to give wider publicity to the PCE's claims. This point has recently been stressed by a subcommittee of the International Confederation of Free Trade Unions which stated that the Franco regime is only strengthening Communism by denouncing every effort to improve the worker's lot as a sign of Communist activity.

Communist Student Activity

The PCE also seems to have had some success in penetrating university student groups. The student generation since the civil war has been manifesting increasing discontent over the regime's restrictions on freedom of speech and thought. It has also been res-

tive under reduction prospects for suitable jobs upon graduation.

In mid-January 1958 the government announced the arrest of 44 persons in Madrid

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_____ The authorities stated that the students, workers, and young professional men who comprised the group had attended the Moscow Youth Festival in the late summer of 1957. The American Embassy in Madrid verified that a number of these persons had been engaged in Communist activities in the universities.

Communist Prospects

The PCE's prospects for strengthening its appeal to large sectors of the population seem likely to improve since the conditions it is exploiting--inflation and student discontent--will probably continue. Moreover, it also appears increasingly possible that the various non-Communist opposition groups, faced with continuing difficulties in agreeing on a mutually acceptable plan for ousting Franco, will be impelled eventually to reverse their present policy of rejecting Communist offers of collaboration.

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SOVIET RURAL ADMINISTRATION

A widespread revamping of lower level rural party and government controls during the past several years has significantly altered the administrative structure of the Soviet countryside, with its 113,000,000 inhabitants. In an attempt to reach a more economical and effective balance between central control and local administrative initiative, the Soviet regime has transferred some decision-making powers to its politically fortified rural organizations while still retaining over-all control in Moscow. The growth of party membership in rural areas and the increase in trained Communists in local positions of authority have persuaded the regime that greater reliance can be placed on the collective farm party organization, thereby making it possible to end some of the overlapping controls and reduce full-time party and government staffs.

Machine Tractor Stations

The history of the machine tractor stations (MTS) since Stalin's death demonstrates Khrushchev's practice of adjusting administrative forms to fit particular needs without committing himself irrevocably to a particular structural arrangement.

In September 1953, at the time Khrushchev inaugurated his extensive agricultural reforms, he also reinforced the control functions of the MTS. This was done, first, by abolishing the agricultural departments at the rayon level of government and transferring many of their functions to the MTS and, second, by establishing at each MTS a group of party instructors (supervisors) headed by a rayon party secretary. The result was the replacement of the regular government administration by the party apparatus.

Criticism was being voiced by the time of the 20th party congress in February 1956 that this arrangement was impractical, but Khrushchev rejected suggestions for a "fresh reorganization"; political control in his mind took precedence over other considerations. In December 1957, however, the party's main organizational journal Party Life suddenly announced that the MTS instructor groups had been abolished and the rayon party apparatus extensively revamped. It was admitted in this connection that party instructors interfered excessively in the work of the collective farm and pre-empted the work of the kol-khoz party organization.

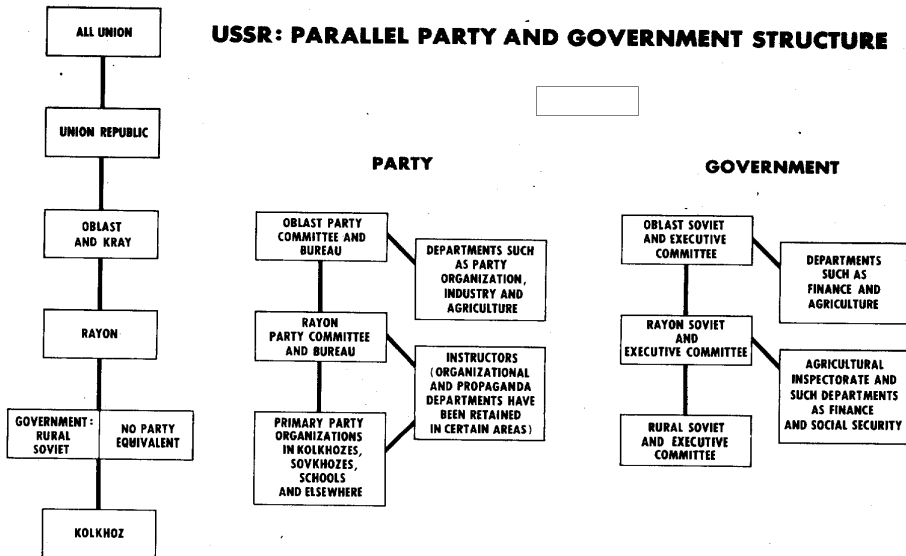
Whether the move was in preparation for the MTS reorganization is not clear, but it helped pave the way for the reorganization by providing for continued party control over the collective farms and resulted in a diminution of the MTS's authority several months before Khrushchev, in a speech at Minsk in January 1958, announced his plans for selling MTS machinery to the kolkhozes.

In the same speech, Khrushchev came around full circle when he suggested that the rayon governmental organization (executive committee) should again be equipped to provide local supervision of collective farm activities. As a result, many of the functions transferred to the MTS in 1953 are now being returned to the rayon executive committee, where they will be exercised by a rayon inspectorate for agriculture. In contrast to the old bulky rayon agricultural department, the inspectorate is to be a fairly high-level, compact group composed of only a handful of leading officials and agricultural specialists headed by a deputy chairman of the rayon executive committee.

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While the inspectorate will exercise over-all control over the rayon's agricultural development and render technical assistance to the kolkhozes, the collective farms now may enjoy somewhat more leeway in managing their daily affairs.

Rayon Party Committee

At the same time that the instructor groups were abolished and the leadership of collective farms turned over to the rayon government organizations and kolkhoz party organizations, a reorganization of the rayon party apparatus was announced. It had been undertaken in the last half of 1957 after widespread discussion among lower level officials and experimental projects in Latvia, Tadzhikistan, and elsewhere. Most of the departments of the rayon party apparatus were dissolved so that almost the entire rayon party apparatus is now composed of instructors, each of whom is responsible for overseeing several primary party groups in such organizations as collective and state farms, schools, and local enterprises.

With the departments gone, these instructors now report directly to the two or three rayon party secretaries. To trim administrative overhead and streamline the organization, a 20-percent reduction has been ordered in rayon party staffs, which will be limited to between 12 and 18 people.

One of the major reasons for replacing departments of the rayon party organization by instructors, each responsible for a wide range of activities, was to cut down the tendency of party organizations to duplicate or replace the parallel departments of the rayon government, a tendency sharply criticized in January 1957 by the party central committee. Press complaints attest, however, to continuing friction between party and government functionaries. In some cases, equally undesirable collusion is charged.

Refurbishing Local Government

A reorganization has also been in progress in many of the rayon governmental structures. Local party and government

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officials have been given fairly wide leeway in adapting the governmental administrative apparatus to varying local conditions. The general trend is to reduce the number of administrative personnel by merging and abolishing departments. In the Lupino Rayon of Penza Oblast, 15 departments and offices were reduced to six and the rayon governmental apparatus was shaved by 31 people.

Not all changes have proved lasting, however, particularly in view of the antagonism often manifested toward them at higher levels. Local officials have complained that their recommendations for paring administrative offices have been rejected by higher officials jealously protecting their own bureaucratic empires. On the other hand, several local officials have warned about wholesale slashing of rayon staffs at a time when new agricultural responsibilities are being placed on their organizations.

In addition, as complaints in the press make clear, efforts by local officials to retain their desk jobs in larger towns and cities to some extent vitiate the drive for a reduction of administrative personnel. Finally, the continual reshuffling of personnel involved in the numerous reorganizations of the administrative apparatus must almost certainly result in considerable confusion, waste, and lowering of morale.

Improving "Socialist Democracy"

Concomitant with the reduction of the paid party and government staffs, the regime is relying more and more on the voluntary, part-time efforts of its citizens. A central committee decree of January 1957 on "Improving the Work of Local Soviets" expressed the regime's concern over the moribund condition of many of these lower level organizations and their executive committees.

The powers and responsibilities of village soviets have been redefined in recently ratified statutes replacing regulations dating back to 1931, and statutes for rayon soviets have been adopted in several union republics and are under consideration in most of the rest. A growing body of literature on the methods and operations of local soviets, designed for the use of local officials, stresses that the major duty of the nonpaid soviet deputies, most of whom are assigned to the standing commissions of local soviets, is to organize the electorate and prod it to implement decrees and check on the operations of local enterprises and organizations.

Rural Communists

With the replacement of the MTS as the regime's primary lever in the countryside, more reliance is now placed on the party organizations in the collective farms themselves. These organizations have been considerably strengthened in recent years and will probably play a larger role in the operation of the kolkhozes. Party Life reported that in mid-1957 there were primary party organizations in all collective farms "with few exceptions" and in all state farms and MTS's. Within the last four years the number of Communists in kolkhoz party organizations has increased by 230,000, or an average of three per collective farm.

Kolkhoz party cadres are being augmented by the assignment to the collective farms of a large proportion of the 137,000 workers of the now-abolished MTS's who are party members and by many of those released in the rayon governmental and party reorganizations. The size and effectiveness of the weaker kolkhoz party organizations have been enhanced by combining them with

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other primary party organizations in the vicinity--for example, those in local factories and schools--resulting in one large party organization which oversees all facets of local life.

Some kolkhoz party organizations have become so strengthened--a few collective farms now have over 100 party members--that they are being advised to form party units in field brigades and various other components of the farms, and articles in the press have suggested that the secretary of a large kolkhoz party organization be freed from his other duties and made a full-time party worker. In effect this means the elevation of the kolkhoz party

organization to the level of its counterpart in the factory.

The purpose of the recent administrative reorganizations and the campaign to revitalize the local soviets is to reduce rigid centralization and bureaucratic overhead and breathe new life into lower government and party bodies. Yet, while lower officials are being encouraged to exercise more initiative, they remain part of a unified, Moscow-oriented administrative system. They are held strictly accountable to higher authorities and their prerogatives are mainly limited to applying central directives. [redacted]

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ANNEX**SINO-SOVIET BLOC ACTIVITIES IN TURKEY****1. General Bloc Policy:**

Sino-Soviet bloc policy toward Turkey is aimed at weakening Ankara's close relations with the West and at reducing the effectiveness of Turkish military participation in NATO and the Baghdad Pact organization. Moscow would particularly like to deny the use of military bases and installations to Western forces and forestall the establishment of NATO missile bases on Turkish territory. Current bloc efforts are directed at exploiting Turkey's critical economic situation; Soviet officials and bloc propaganda are concentrating on raising doubts among leaders and the educated elite as to the advantages of continuing Turkey's strong Western orientation.

2. During late 1957, relations between Turkey and the USSR deteriorated markedly as a result of Soviet charges of a Western "plot" against Syria featuring Turkey as the chief instrument; in a series of warnings, including strong diplomatic notes and statements by Soviet officials, Turkey was cautioned against intervening in Syria and threatened with possible Soviet military counteraction. With the passing of the crisis, however, Moscow began a major effort through official and unofficial contacts to encourage better relations; Soviet officials have recently begun to woo the Turks with offers of increased trade and with the prospect of economic assistance.

3. Diplomatic Representation: Turkey has diplomatic ties with the USSR and all the European satellites except East Germany; re-establishment of relations with Albania is pending. The Communist missions in Turkey are staffed by 274 bloc na-

tionals, of whom 87 are attached to the Soviet mission. The Soviet ambassador, N. S. Ryzhov, known primarily as an economic administrator, has a fair command of Turkish acquired in 1930 when he set up a textile factory in Turkey; the plant was built with Soviet assistance and is a source of great pride to the Turks. Since his appointment as ambassador in April 1957, Ryzhov has been exerting maximum efforts to cultivate Turkish contacts and friendships.

4. Economic Activity: Commerce between Turkey and bloc countries reached \$130,000,000 in 1957, accounting for 17.5 percent of Turkey's total foreign trade, a moderate increase over 1956 but considerably less than in 1955. Large shipments of tobacco to the bloc during the first quarter of 1958 raised the bloc's share of Turkey's exports to 37.4 percent of total exports. Although exports to the bloc normally rise during the early months of each year as a result of seasonal tobacco shipments, the Turkish Government in late 1957 allocated larger quotas of tobacco for sale to the USSR and East Germany, while Western companies have restricted their purchases, making an over-all increase in Turkish exports to the bloc likely during 1958. Turkish balance-of-payment difficulties, curtailment of credit by Western suppliers resulting from a large accumulation of commercial arrears, and decreased Western purchases because of the artificially high price of Turkish products, with the consequent loss to Turkey of foreign exchange, are generally tending to increase barter-type trading with bloc countries.

5. The bloc is attempting to capitalize on Turkey's severe economic dislocations in order to expand economic ties. Since mid-May, Ambassador Ryzhov and

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high Turkish officials have held a series of conferences [redacted]

[redacted] In early 1958 the Soviet Union offered to supply petroleum products after Turkey encountered difficulties in securing supplies from the West; bloc countries have also undertaken to supply Turkey with heavy equipment, formerly procured exclusively in the West.

6. Bloc credits to Turkey since 1955 have totaled \$11,700,000. In July 1957 the USSR contracted to build a \$3,000,000 glass factory and in February 1958 Turkey agreed to purchase \$2,000,000 worth of Soviet construction equipment; both contracts were financed by three-year credits from Moscow. Czechoslovakia also extended a \$5,000,000 credit in 1955 to finance the purchase of 150 railroad cars and a credit of \$800,000 in October 1947 for a diesel engine factory. Other bloc assistance has included small credits from Czechoslovakia for a textile factory and from Hungary for a vegetable-oil plant. Turkey has also negotiated with the USSR for the sale of three textile factories having a total value of \$10,000,000, but difficulties over prices have prevented agreement to date.

7. The European satellites are involved in a number of other industrial projects in Turkey; East Germany is building textile factories and a cement plant; Czechoslovakia is providing equipment for a ceramics factory and some machinery for a cotton mill; Hungary and Poland are also engaged, to a lesser degree, in supplying industrial equipment. Approximately 20 bloc technicians are believed to be in Turkey in connection with these projects.

8. Cultural and Propaganda Activities: Bloc propaganda and

cultural activities directed at Turkey are limited in scope and are handicapped by close government controls, including limitations on the press and on public meetings. Turkey has no friendship societies sponsoring closer ties with bloc countries. The government has limited cultural exchange visits to those bloc countries in Eastern Europe with which it maintains diplomatic relations. During 1957 a total of 57 delegations were exchanged --about the same number as in 1956--of which 23 were from Turkey and 34 were from bloc countries. Sports teams accounted for a majority of the exchanges. The Turkish Government did not permit a delegation to attend the 1957 Youth Festival.

9. Bloc propaganda directed at Turkey is conducted mainly by radiobroadcasts in Turkish which total slightly over 64 hours per week, as compared with 45.5 hours per week at the end of 1956. The increase consists of additional Turkish programs by the European satellites and the initiation by Communist China in late 1957 of seven hours per week of Turkish programs. On 1 April regular clandestine broadcasts totaling about three hours each week were begun by a transmitter at Leipzig, East Germany. This station, which calls itself "Our Radio," purports to broadcast from inside Turkey; it avoids mention of the Turkish Communist party or Communism in general and emphasizes such themes as worsening Turkish economic conditions and charges that the government is subservient to the United States.

10. Subversive Activity: The Communist party of Turkey has been illegal since 1922, and known or suspected Communists are closely watched by the Turkish police. From 1951 through 1953 the government arrested nearly 200 persons on charges of Communist agitation; of these, 131 were given sentences for conspiring to found a secret

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Communist party. With their trial in 1954, Turkish authorities considered that virtually all members of the party in Turkey had been neutralized. In January 1958, the Vatan (Fatherland) party was declared illegal on the allegation that it acted as a Communist-front organization, and 25 members were arrested.

11. In view of the small number of people charged with Communist activity and the effectiveness of the Turkish police in preventing subversion, it is believed there are less than 200 "hard-core" Communists in Turkey

There are in addition approximately 2,000 persons, found chiefly in Istanbul, Ankara, and Izmir, who are classified as Communist sympathizers. Outside Turkey, there is a small but articulate group of Turkish Communists and sympathizers whose chief value to Moscow consists in their activities as propaganda outlets and as alleged Turkish representatives at international front conferences; in addition, there are indications that some members of the Turkish community on Cyprus may be Communists.

12. Turkish Reaction to Bloc Activities: Turkey responded to Soviet pressures in the immediate postwar period by participating actively in Western collective defense arrangements and by strict internal security measures; more recently, Soviet actions during the Turkish-Syrian crisis last fall served to intensify the determination of the Turkish Government to resist bloc pressures. Even during periods of Soviet conciliation since the war, Bulgaria has been hostile, particularly over border questions. The Turkish Government

has, therefore, been reserved and suspicious in dealing with the USSR and Eastern European countries; personnel attached to bloc missions in Turkey are subject to controls and on several occasions--most recently in September 1957--the government has expelled bloc diplomats for espionage activities.

13. While the Turkish people generally share their government's hostility to the bloc, the urban population, which has been especially vulnerable to inflation and economic shortages, would probably approve of increased economic ties with the bloc as a possible way of overcoming present economic problems.

14. Outlook: Moscow's prospects for advancing its policy objectives toward Turkey turn largely on Turkey's ability to solve its serious economic problems in cooperation with non-Communist countries. The critical factor is the extent to which Turkey's present leaders are willing to keep within bounds their politically popular, but inflationary, investment programs. Turkish officials have not ruled out acceptance of substantial Soviet economic assistance in the months ahead, especially if they cannot obtain economic relief from the West. The Turks are fully aware of the pitfalls of dealing with the Soviet Union, and Ankara would be careful not to compromise its position within the Western defense effort. The general attitude of Turkey toward the bloc makes it unlikely that bloc countries will be able in the near future, through propaganda, cultural, and subversive activities, to register significant advances which would affect Turkey's ties with the West.

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